

CLIMBER focus on businesses that serve low- and moderate-income communities and distressed and underserved communities

The CLIMBER program was designed to provide capital to strong small businesses across the state that are struggling due to the economic impact of the COVID-19 pandemic. The CLIMBER legislation recognizes the disproportionate impact on certain businesses and geographies. Since businesses in low- and moderate-income communities and those in distressed and underserved communities have been historically disadvantaged in access to capital, the goals of the CLIMBER program are well aligned with those of the Community Reinvestment Act (CRA).

[CRA Fact Sheet, Office of the Comptroller of the Currency]

The Community Reinvestment Act (CRA) was enacted in 1977 to prevent redlining¹ and to encourage banks and savings associations (collectively, banks) to help meet the credit needs of all segments of their communities, including low- and moderate-income neighborhoods and individuals. The CRA extended and clarified the long-standing expectation that banks will serve the convenience and needs of their local communities....

...Nor does CRA require banks to make high risk loans that jeopardize their financial stability. To the contrary, the law makes it clear that a bank's CRA activities must be consistent with the safe and sound operations conducted by the bank.

CRA is designed to encourage banks to help rebuild and revitalize communities through sound lending and good business judgment that benefits the banks and the communities they serve.

Community development investments by banks can provide significant, low cost, capital to the CLIMBER program to advance goals shared between CRA and CLIMBER.

CRA incents bank investments to address disparities in the following communities:

- Low- and moderate-income communities
- Underserved non-metropolitan low-, moderate- and middle-income communities
- Distressed non-metropolitan low-, moderate- and middle-income communities

In addition, investments in CDFIs are also consistent with CRA goals as these financial institutions also have a mission to serve underserved and low-income communities.

Below are elements of CLIMBER that have already been considered by the board to advance these goals as well as options on how this focus might be operationalized for the program:

- The Board has included underserved and distressed nonmetropolitan communities as a part of the geographic distribution methodology for CLIMBER capital.
- The Board is considering providing incentives for investment in underserved and economically disadvantaged communities.

- Recognizing the importance of CDFIs in supporting economically disadvantaged neighborhoods, the program has worked to engagement the CDFI community:
 - The Board and staff have engaged CDFIs in needs of their customers and design of CLIMBER products that work for CDFIs
 - The Board is considering a CLIMBER financial product specifically designed to partner with CDFIs through the provision of direct lending capital
 - Staff is working to identify additional funding to support CDFI capacity to participate in CLIMBER

Additional Options for Focusing on Economically Disadvantaged Neighborhoods:

In addition to the measures the Board has already adopted to focus on areas of the state that have been overlooked and disadvantaged in the past, below are some additional options to optimize investment in these areas:

Overall

Prioritize 60% of private capital from CRA investors to shared goals in economically disadvantaged areas of the state.

- Option 1: After original geographic allocation, new allocation to economically disadvantaged areas
- Option 2: After 50% of capital is deployed in any tranche, Board reviews data and makes decisions based on strategies to achieve targets, including:
 - Increased outreach/marketing to LMI, distressed and underserved communities
 - Increased outreach/marketing to CDFIs
 - Increased outreach/marketing to banks that serve LMI, distressed and underserved communities
 - Adopting new financial incentives to advance goals
 - Identifying new product offerings to advance goals
- Option 3: After deployment of first tranche, Board reviews data and makes decisions based on strategies to achieve targets, including same tools as above.